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# GENERALIZED SYSTEM OF PREFERENCES

## Scheme of the European Economic Community for 1990

## Note by the secretariat

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# CHANGES AND IMPROVEMENTS IN THE EEC GSP SCHEME IN 1990

## INTRODUCTION

1. The EEC GSP scheme for 1990 is contained in the EC Official Journal, vol. 32, No. L.383 (30 December 1989) and published as UNCTAD document TD/B/GSP/EEC/18.

## I. Beneficiaries

2. Hungary and Poland have been added to the list of beneficiaries as from 1 January 1990. In addition, these two countries as well as Cuba and El Salvador have been added to the list of beneficiaries of the EEC GSP MFA textiles. The EEC transferred the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau from the list "Countries and territories" to the list of "Independent beneficiary countries". It should also be noted that the Republic of Korea remains suspended on a temporary basis under the 1990 EEC GSP scheme.

## II. Product coverage

3. As of 1 January 1990, the EEC added 15 new agricultural products or product groups. 1/ In addition, as from 1 January 1990, within a specific Regulation and in form of global fixed reduced-levy amount (FRLA), the EEC granted preferences for eight agricultural products or product groups, 2/ covered by the Common Organization of the Markets. The inclusion of such products in the scheme and the grant of 50 per cent reduction from the normal levy is the result of some adjustments made by the EEC to certain specific aspects of the Common Agricultural Policy (products covered by the CAP are usually either excluded from the GSP or qualify only for very small tariff reductions). Three EEC Commission Regulations 3/ have been published laying down rules for the implementation of the new provisions. Following the Montreal decision on tropical products in the context of the Uruguay Round, the EEC also deleted 27 agricultural 4/ products from the scheme on which MFN treatment is either equal to or better than the applicable GSP treatment.

## III. Depth of tariff cut

4. In 1990, the EEC increased the preferential margin on six agricultural products. 5/ The tariff reductions made with respect to these products varied from one to six percentage points. Further, the eight agricultural products or product groups added within specific GSP regulations mentioned above enjoy a 50 per cent reduction in the levies applied to them.

## IV. Safeguards

5. In 1990 fixed duty-free amounts (FDFA) 6/ have been extended to all sensitive industrial products (other than textile and ECSC products), exported by "ultra-competitive beneficiaries". The previous system of tariff quotas with allocations among EEC member countries has been consequently eliminated. FDFA are normally allocated annually, although two of them 7/ are split into two six-monthly tranches.

6. The five agricultural products which were previously subject to tariff quotas are now subject to "fixed reduced-duty amounts" (FRDA). Consequently, the allocation of quotas among EEC member States has been abolished. However, in the case of these agricultural products the FRDA remain global, i.e. the annual amount applies to all beneficiary countries, while for industrial products FDFA apply to each beneficiary individually. The system of fixed reduced-duty amounts provided for the five agricultural products does not apply to least developed countries, which enjoy duty-free and quota-free entry.

7. In 1990 the EEC added four items to the list of sensitive industrial products. 8/ Therefore, the list now includes 135 industrial products for which individual tariff ceilings are set. However, 96 of them are also subject to FDFA vis-à-vis one or more beneficiaries. Some 22 beneficiaries are affected by the FDFA. 9/ The level of 83 FDFA or tariff ceilings was increased by 5 per cent and for 6 others the level was increased from 8 per cent to 50 per cent, whereas for the remaining 42 it remained unchanged.

8. As a result of the differentation policy started in 1986 with respect to "ultra-competitive" suppliers, six products from Saudi Arabia were excluded. 10/ This policy excludes product/country pairs when the beneficiary in question supplies more than 20 per cent of extra-EEC imports (the percentage criterion) or when imports from such a beneficiary exceed by at least 10 times the individual quota set for that beneficiary (the volume criterion) and the individual FDFA for four products 11/ originating in the Republic of Korea were reduced by half.

9. For those industrial products (other than those subject to quantitative limitations and/or textiles and ECSC products) which are considered as non-sensitive products, the EEC grants, as before, duty-free and quota-free entry. Nevertheless, there are provisions for the reintroduction of customs duties. The reference base for levying of customs duties during 1990 12/ is equal in general to 6 per cent of the total imports into the Community, in 1987 of each of the products concerned originating in a third country. However, for some products, which are considered as semi-sensitive products, the reference base is set at the level of 2 per cent. A list of such products is given within the EEC scheme. 13/ This list is also revised yearly. In 1990, eight products were added to that list. 14/

10. With respect to MFA textiles, and under the "new phase of differentiation", 15/ the EEC introduced the application of differentiation criteria adopted in 1987 by reducing preferential amounts by 50 per cent for two products vis-à-vis China, 16/ and one product vis-à-vis Brazil, 17/ Mexico 18/ and Republic of Korea. 19/ Furthermore, the EEC increased differentiation by means of a 50 per cent reduction of preferential amounts opened to "dominant suppliers" and state-trading countries and territories 20/ for the first eight categories of products listed in annex I of the EEC Regulation containing the GSP treatment for textiles.

11. For MFA products the system of tariff quotas allocated among EEC member States with a Community reserve is still in operation, but with an important change: 24 tariff quotas have been split into two six-month tranches. 21/ However, as from 1 January 1990 the partial or global return to the Community reserve is compulsory after 80 per cent of the reserve has been used. 22/

READEX FICHE

12. With respect to non-MFA products, the "new phase of differentiation" led to the exclusion of four product categories from Brazil. 23/

V. Rules of origin

13. As from 17 November 1989, the regional cumulation rules granted by the EEC to the Association of South East Asian Nations (ASEAN) was put into effect following the last outstanding notification by the ASEAN Secretariat to the EEC Commission. 24/

Notes

1/ Products identified by the following Common Nomenclature Code (CN Code): 0207.3100, 0207.5010, 0208.1010, 0208.9030, 0602.4090, 0709.5130, ex 0712.2000, 0809.2010, ex 0809.2090, 0810.2010, 0810.9030, 0811.2059, 0811.2039, ex 0811.2019, 0811.2031, 0811.2051, 2008.6061, 2009.7030, 2009.7093, 2009.7099.

2/ Products identified by the following CN Code: 0207.1059, 0207.2319, 0203.2913, ex 0203.2955, 0207.1079, 0207.2359, 0207.3953, 0207.4311, 0207.3961, 0207.4323, ex 0207.3965, ex 0207.4331, ex 0207.3967, ex 0207.4341, 0207.3971, 0207.4351, 0207.3975, 0207.4361, ex 0207.3981, ex 0207.4371, 0210.1111, 0210.1211, 0210.1940, 1108.1300, 1601.0091, 1601.0099, 1602.4915, 1602.4919.

3/ See EEC Regulations 3919 and 3920/89 in Official Journal, Vol. 32, No. L.375 of 23 December 1989 (pp. 43 to 46) and EEC Regulation 154/90 in Official Journal Vol. 33, No. L.181 of 23 January 1990 (pp. 26 and 27).

4/ Products identified by the following CN Code: 0603.1013, 0603.9000, 0801.1010, 0801.1090, 0802.9010, 0802.9030, ex 0804.5000, ex 0813.4090, 0901.1100, 0901.3000, 0902.3000, 0904.1190, 0904.2039, ex 0904.2090, 0906, 0907, 0909.1010, 0909.30, 0909.40, 0909.50, 0910.4013, 0910.4019, 0910.4090, 1302.1400, 1302.1930, 1302.1991, 1521.9010.

5/ Products identified by the following CN Code: 0101.1910, ex 0603.9000, 0706.9030, 0904.1200, ex 0904.2090, 1602.2010.

6/ See TD/B/C.5/122, para. 12.

7/ Air or vacuum pumps ... (order no. 10.0980 CNC: ex 8414) and sewing machines ... (order no. 10.0990 CNC: ex 8452).

8/ Products identified by the following CNC: 7005 (float glass), 8701.20 (road tractors for semi-trailers), 8702.1011 and 19 (motor vehicle for the transport of 10 or more ...) and 8704.2291 and 99 (motor vehicles for the transport of goods ...).

9/ Beneficiary countries and territories affected by the FDFA and the number of products affected (between brackets) are the following: Republic of Korea (32), China (29), Hong Kong (19), Hungary and Poland (14 each), Brazil (13), Romania (9), Singapore (8), Libyan Arab Jamahiriya and Malaysia (3 each), Bahrain, Indonesia, Saudi Arabia, Thailand and Venezuela (2 each) and Argentina, Iraq, Kuwait, Mexico, Philippines, Qatar and United Arab Emirates (1 each).

10/ Saudi Arabia: methanol (CNC 2905.1100), ethyleneglycol (CNC 2905.3100), diethylene-glycol (CNC 2909.4100), melamine (CNC 2933.6100), linear polyethylene (CNC 3901.1010), high density polyethylene (CNC 3901.2000).

11/ Toluidines (CNC 2921.4390), micro-wave ovens (CNC 8516.5000), other toys (CNC 9503), fishing rods, hooks ... (CNC 9507).

12/ Conditions of suspension of preferential treatment during the year of GSP application are: "when preferential imports causes or threatens to cause economic difficulties in the Community, the levying of customs duties may be reintroduced" on the base of a percentage criteria and after an exchange of views between the EC Commission and the member States".

13/ See EEC GSP scheme, Official Journal No. L383 of 30 December 1989, annex II, Part 3 (a).

14/ Products identified by the following CNC: 2833.2200, 3602.0000, 3605.0000, 6907, 7004, ex 7310.2990 (standard cans of a capacity of 20 litres), 7607, 8201.1000.

15/ See TD/B/C.5/111/Add.1.

16/ Gloves, knitted ... (category 10), woven curtains (category 40).

17/ Yarn of man-made filament ... put up for retail sale.

18/ Synthetic staple fibres (category 55).

19/ Tarpaulins, sails ... (category 109).

20/ China, Hong Kong, Macao, Romania and Republic of Korea.

21/ Tariff quotas which were split into two tranches are the following: categories 1 to 9, 15 to 17, 20 and 39 contained in annex I of GSP textiles.

22/ See Official Journal, No. L383 of 30 December 1989, EC Regulation No. 3897/89, page 49, Section I.

23/ Product categories excluded when imported from Brazil are the following: categories 115, 127A, 146A and 146B (see annex II of the GSP textiles).

24/ See EC Official Journal C 316/89 of 16 December 1989.

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